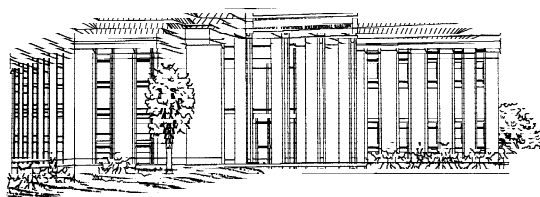


KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

RETIRED MEMBER EDITION
Summer 2005



2006 Legislative Session Will Be Important to Retiree Health Care

The Governor's Office for Policy and Management (GOPM) is responsible for the preparation of the Executive Budget as well as the implementation and oversight of the Budget of the Commonwealth as enacted by the General Assembly. The preparation of the budget includes assisting state agencies with their budget requests, analyzing the requests, and making recommendations to the Governor. The Governor files the completed Executive Budget with the House of Representatives (House) and a member of the House sponsors the Governor's budget bill. The House reviews the Governor's recommended budget bill, makes amendments to that bill, or introduces its own bill. When a House version of the budget bill is finalized, it is sent on to the Senate. The Senate reviews the House version, makes amendments to that bill, or introduces its own bill. When both the House and Senate have agreed on any amendments, the bill goes back to the Governor for his signature into law. The budget may also become law when the Governor does not veto it during the veto period, or he may elect to veto the budget bill in full or by line item. If this occurs, the General Assembly has the opportunity to override the Governor's veto.

To assist GOPM, the Legislative Research Commission Subcommittee on 2006-2008 Budget Preparation and Submission has begun its task of collecting information from the various agencies for use in preparation of Agency Budget Requests.

KTRS has already submitted a request for funding for its Medical Insurance Fund.

At the conclusion of the 2005 General Assembly, both the House and Senate final versions of the Executive Budget (identified as House Bill 267) contained a vehicle to achieve the total funding requested for the current biennium in the amounts of \$29 million for fiscal year 2004-2005 and \$62 million for fiscal year 2005-2006, for a total of \$91 million. This bill was signed into law by the Governor on March 20, 2005. KTRS was extremely fortunate that the additional funding needed for medical insurance was secured in the 2005 Session. However, due to the limited availability of new funds in the state budget, the only means available for funding the \$91 million needed by the KTRS medical insurance program for the 2004-06 biennium was to amortize the cost over a ten-year period. While the amortization method was a solution in the short-term for 2004-06, it is important to remember that this appropriation was made possible under House Bill 434 enacted during the 2004 Regular Session of the General Assembly, and that it provides the funding needed only for the 2004-2006 biennium. To secure the funding that will be needed to maintain the medical insurance program, it will be necessary to continue to request funding under House Bill 434 in each biennial budget, beginning

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with the 2006-2008 budget that will be enacted during the 2006 Session of the General Assembly.

The Governor and the General Assembly have a difficult task in apportioning limited public monies among the various funding requests. The KTRS medical insurance plan was established in 1964 with the inception of Medicare, and has now provided

important medical cost support for KTRS retirees for more than 40 years. KTRS staff will devote its full attention to requesting that the Governor and General Assembly include funding in the 2006-2008 budget for the medical insurance plan for KTRS retirees as provided in House Bill 434.

Virginia L. Murrell Leaves Board of Trustees



Miss Murrell represented retired members on the KTRS Board of Trustees from January 30, 1988 to June 30, 2005, and served as Board Chair from July 1, 1992 to June 30, 2005. She has the distinction of having served as president of the Kentucky Education Association and president of the Kentucky Retired Teachers' Association. Her educational achievements include a B.S. degree from the University of Kentucky, an M.A. degree from Columbia University, as well as graduate work at the Cincinnati Conservatory of Music. She served as music supervisor in the Bellevue Public Schools for 35

years. In addition to serving as the elected president of the state's largest retired and active teacher associations, Miss Murrell's positions of leadership in public education include president of the Kentucky Choral Directors' Association, president of her local and district education associations, state president of Delta Kappa Gamma, member of the National Education Association's Board of Directors, and an award of a life membership in the Kentucky PTA.

Miss Murrell was a most dedicated member of the Board of Trustees and worked to protect the System as well as provide benefits for the active and retired members. We wish Miss Murrell many happy and productive years.

Members Elect Trustees to KTRS Board

The election for the two positions on the KTRS Board of Trustees that were vacated on June 30, 2005, due to the expiring terms of Virginia Murrell and Arthur W. Green, was conducted during May 2005. Chief State School Officer Gene Wilhoit certified the results of the election to the KTRS Board of Trustees.



Arthur W. Green, of Elkton, was re-elected to a four-year term to represent active members. Mr. Green has represented active members on the Board since 1996 and has served as Board Vice-Chair since 2003. Currently, he also serves on the Board's Administrative Appeals Committee, Insurance Committee, Investment Committee, Legislative Committee, Nominating Committee, and Personnel Committee. Mr. Green has taught agriculture for more than 30 years at Todd County Central High School, and is an active member of the Kentucky Education Association at the local, district and state levels, serving on numerous committees. His term of office began July 1, 2005 and will end June 30, 2009.



Barbara G. Sterrett, of Lexington, was elected to a four-year term to represent retired members and will assume the seat vacated by Virginia Murrell. Ms. Sterrett, who represented active members on the Board from 1990 until her retirement in 2003, taught mathematics for 30 years at Lafayette High School. Currently, she substitutes in the Fayette County Schools, works with the Lexington League of Women Voters and is a member of KEA-R, KRTA and Alpha Delta Kappa. Her term of office began July 1, 2005 and will end June 30, 2009.

Chair & Vice-Chair Elected to KTRS Board of Trustees

Arthur W. Green was elected chair of the Board of Trustees for the 2005-2006 fiscal year at the Board meeting held June 20, 2005. Mr. Green has represented active members on the Board since 1996 and has served as the Board's vice-chair since 2003.

At this same meeting, **Dr. Zella F. Wells**, of Paintsville, was elected as vice-chair for the 2005-2006 fiscal year. Dr. Wells has represented active members on the Board since 2004.

Important Information Regarding Post-Retirement Employment and the Daily Wage Threshold

When KTRS retirees are re-employed in covered positions in the new part-time and full-time programs the maximum daily rate of pay that may be earned is set by the Daily Wage Threshold (DWT). The DWT is determined by the daily rate of pay received by the member in their last year of covered employment prior to retirement. Retirees who retired with 30 or more years of service have a DWT of 75% of their last daily rate of pay and retirees who retired with less than 30 years of service have a DWT of 65% of their last daily rate of pay. Non-qualified service credit purchases do not count toward the 30 years. The DWT for all retirees who were retired as of July 1, 2002 is established at 75%. Retirees who have been retired for at least one year receive annual increases in their DWT according to the annual increase in the Consumer Price Index (CPI).

Occasionally, a KTRS retiree who has returned to covered employment under one of the new programs established by the 2002 General Assembly will exceed their Daily Wage Threshold. When this occurs the retiree is required to either remit the overage to KTRS or they may elect to have their KTRS annuity reduced by a similar amount until the overage is recovered. KTRS desires for all retirees to avoid these violations and would like to identify for the membership situations that cause the DWT violations to occur. Among these situations are retirees who earned a daily rate of pay in excess of their DWT, retirees who received compensation for extra services that caused them to exceed their DWT, and retirees who are employed for more days than the sixty-nine percent (69%) maximum permitted in the new part-time program.

KTRS retirees earn service credit and salary credit for part-time and/or full-time post retirement employment that occurs during the normal/regular school workday for KTRS employees. However, when receiving a pension from KTRS, most post-retirement employment has limits for both service credit and salary credit. Work performed outside regular hours/days will not count toward service credit.

KRS statutes that govern the awarding of service credit permit individuals who are employed in positions

that include a minimum of 185 days up to a maximum of 261 days to earn one (1.00) full year of service credit. No one is permitted to earn more than one full year of service credit in a fiscal year.

The DWT applies to all money earned from KTRS employers during a regular school calendar year (July 1 – June 30). When a retiree works one full day during the school year and is paid their DWT, the retiree is prohibited from performing additional duties outside that regular day or they will exceed their DWT.

Currently retirees may be reemployed in KTRS positions under the new part-time or full-time programs, the part-time or full-time Critical Shortage programs, the old 100-day program or the Waiver option. Retirees' participation in the old 100-day program requires that they were retired by July 1, 2002 and have not worked under any other return to work program. This program will sunset on June 30, 2007.

Each retiree who returns to covered employment is responsible for knowing the return to work program in which they are employed. When a retiree elects to change programs, it is their responsibility to complete a new form F-1RET and send it to KTRS. This form should be obtained from the employer.

All retirees reemployed in the new full-time and Critical Shortage programs must receive KTRS approval on form RET-FT annually, and must also complete a new form F-1RET, annually.

Also be reminded that all retirees who return to KTRS covered employment must first experience the required BREAK IN SERVICE. Failure to observe the required BREAK IN SERVICE will cause the member's retirement to be voided and all pension funds received to be returned to KTRS.

Knowing the service credit, salary credit, break in service, and DWT limits will help to make post-retirement employment enjoyable and productive. KTRS encourages you to contact one of our counselors if you have any questions about post retirement employment or the DWT.

Age 65 and Over **Update on Federal Medicare Drug Legislation (Medicare Part D Prescription Drug Plan)**

The KTRS Prescription Drug Plan has received a favorable pre-certification indicating that the KTRS Prescription Drug Plan is greater in benefits than the standard Medicare Part D prescription drug plan, which goes into effect on January 01, 2006.

The Center for Medicare and Medicaid Services has released the final version of the "Notice of Creditable Coverage", and KTRS is in the process of finalizing a version for our members and spouses eligible for Part D of Medicare. This notice will detail, as indicated above, that the KTRS Prescription Drug Plan is greater in benefits than the standard Medicare Part D prescription drug plan. However, those members who are covered by Medicare and Medicaid and those that meet the requirements of the new Medicare low-income drug subsidy will need to take a closer look, as the Medicare Part D non standard plans may be financially beneficial.

In October, KTRS will mail the notice of creditable coverage as a referenced item within an updated Medicare Eligible Health Plan Summary Plan Description. All members remaining with the KTRS Prescription Drug Plan, and most will, should retain this notice and booklet for future reference. This notice should prevent Medicare from charging a late enrollment fee if you determine at a later date

that it is in your best financial interest to enroll in the Medicare Part D prescription drug plan, rather than the KTRS-sponsored drug plan.

In addition, new plan ID cards devoid of our members' confidential social security number will be mailed to each covered retiree and dependent spouse this fall.

Age 65 and Over **Medicare Eligible Health Plan (MEHP)** ***OPEN ENROLLMENT***

Due to the enactment of the Medicare Modernization Act of 2003, KTRS will conduct a second Medicare Eligible Health Plan (MEHP) open enrollment. Beginning November 1, 2005, if you are not currently enrolled in the MEHP and wish to have coverage effective January 1, 2006, you must contact KTRS for an enrollment form and return the completed form to this office by December 31, 2005. During open enrollment you can enroll without providing proof of a qualifying event. To enroll outside of open enrollment, you must show evidence of a qualifying event. If you are currently enrolled in the MEHP through KTRS, you do not have to do anything.

This notice is to also inform you that all future MEHP open enrollment periods will occur once a year in the months of November and December for the effective date of January 1, 20XX. The 2006 MEHP monthly premium information will be included in the next retiree edition of the KTRS newsletter.

Cost of Living Adjustments (COLA)

Effective July 1, 2005, retirees who were retired at least one year received a two and two-tenths percent (2.2%) increase in their retirement allowance. This increase was reflected in the July payment. Members who have been retired for less than one year will receive a pro rata COLA increase in proportion to the number of months they have been retired. Seven-tenths of one percentage point (0.7) of this increase was approved during the 2005 General Assembly. The remaining one and one-half percentage point (1.5) represents the regular increase guaranteed each year by statute.

Health Screening Services Available at Local Health Departments

Did you know that health screening services are available at each of Kentucky's 120 county health departments? Services include blood pressure monitoring, as well as screening for breast cancer and cervical cancer. Fees for services vary from county to county. Some counties charge a nominal fee, while some use a sliding fee schedule based on income and ability to pay. Contact your county health department for more information. Preventive screening for early detection of disease can save lives and possibly reduce health care costs.

Under Age 65 Plan Information

DEPARTMENT FOR EMPLOYEE INSURANCE Announces Regional Benefits Fairs for 2006 Kentucky Employees Health Plan KTRS Open Enrollment Dates To Be Determined

Benefit fair dates and locations are as follows:

October 6, 2005 2-6 pm	McCracken	Western KY Community & Tech College Crounse Hall Atrium 4810 Alben Barkley Dr Paducah, KY
October 7, 2005 2-6 pm	Daviess	Owensboro Community & Tech College 4800 New Hartford Road (U.S. Hwy. 231) Subway Restaurant's Front Dining Area Owensboro, KY
October 10, 2005 2-6 pm	Warren	Bowling Green Tech School, Bldg F 1845 Loop Drive Bowling Green, KY
October 10, 2005 8 am – 6 pm	Franklin	Frankfort Convention Center 405 Mero Street Frankfort, KY
October 11, 2005 8 am – 6 pm	Jefferson	Kentucky Fair & Exposition Center West Hall Meeting Rms 1 & 2 Louisville, KY
October 12, 2005 2-6 pm	Hardin	Central Hardin High School Gymnasium Hwy 62 Elizabethtown, KY
October 13, 2005 2-6 pm	Kenton	Northern KY Area Development District 22 Spiral Drive Florence, KY
October 17, 2005 2-6 pm	Christian	Pennyrile Area Development District 300 Hammond Drive Hopkinsville, KY
October 18, 2005 2-6 pm	Pulaski	Somerset Community College 808 Monticello Street Harold Rogers Student Commons Community Room #107 Somerset, KY
October 19, 2005 2-6 pm	Rowan	Morehead State University Main Lobby Academic Athletic Center 150 University Blvd Morehead, KY
October 20, 2005 4-8 pm	Fayette	Paul Dunbar High School Cafeteria 1600 Man O War Lexington, KY
October 24, 2005 2-6 pm	Pike	Pike Central High School 100 Winners Circle Pikeville, KY
October 25, 2005 2-6 pm	Perry	Perry Co Central High School 305 Park Ave Hazard, KY

Medicare Eligible Health Plan (MEHP) WHCRA Notice

If you have had or are going to have a mastectomy, you may be entitled to certain benefits under the Women's Health and Cancer Rights Act of 1998 (WHCRA). For individuals receiving mastectomy-related benefits, coverage will be provided in a manner determined in consultation with the attending physician and the patient, for:

- all stages of reconstruction of the breast on which the mastectomy was performed;
- surgery and reconstruction of the other breast to produce a symmetrical appearance;
- prostheses; and
- treatment of physical complications of the mastectomy, including lymphedema.

These benefits will be provided subject to the same deductibles and coinsurance applicable to other medical and surgical benefits provided under this plan.

If you would like more information on WHCRA benefits, call your Plan Administrator at 1-800-423-3289.

KTRS Needs Your Help!

In an effort to keep the KTRS records consistent with Medicare, we would like to be informed if your name on your Medicare card is different than the name we have in our system. Please compare your name on the front of this newsletter to the name on your Medicare card or your most recent Medicare Explanation of Benefits. If there is any discrepancy between the two please contact us at 1-800-618-1687 to correct this information.

SUMMER 05



TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
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